



**City of Kansas City, Missouri
Economic Development & Incentive Policy
Task Force
Meeting #7**

Date: Wednesday, August 8, 2007, 5:00 – 8:00 p.m.

Location: Guadalupe Center, 1015 Avenida Cesar E. Chavez

Time: 5:00 – 6:45 p.m. Business Session
7:00 – 8:00 p.m. Public Hearing

Meeting Purpose:

1. Final review of purpose statement and policy outcomes.
2. Discuss policy papers (areas without Task Force consensus).
3. Receive public input.

AGENDA

5:00 p.m.	Welcome and introductions	Bill Haw, Chair
5:25 p.m.	Final review of purpose statement and policy outcomes	Sheila Shockey, Facilitator
5:35 p.m.	Breakout sessions/Discussion of policy papers <ol style="list-style-type: none"> 1. Should the City target its investments in some way? 2. Are there limits to public investments? Should the City limit or cap the amount of investment it makes in economic development? 3. Should the City impose penalties for under-performance? 4. Should public investments in economic development be tied policy outcomes? If so, what should the priority of those outcomes be? Should the level of public investment adjust commensurately with the extent to which the economic development project matches the City's prioritized outcomes? 	Facilitators
6:35 p.m.	Announcements & meeting evaluation <ol style="list-style-type: none"> 1. What items need to be carried forward to the next meeting? 2. Are there requests for information before next meeting? 3. Discussion of future meeting agendas (see below) 4. Discussion of desire to have an "implementation feasibility" worksession between the regular meetings of August 22 and August 29 	Sheila Shockey, Facilitator
6:45 p.m.	Adjourn work session portion of Task Force meeting & break for 15 minutes until public hearing portion	
7 – 8:00 p.m.	Public hearing	
Next meeting:	Wednesday, Aug. 15, 5-7 p.m. Task Force Worksession & 7-8 p.m. Public Hearing Gem Theater, 1601 E 18th Street	

FUTURE MEETING AGENDAS (Fully Subject to Change)

- August 8** Finalize consensus on policy outcomes
Breakout group discussions on four policy outcomes areas without consensus
Homework: survey instrument on incentives, evaluation, measurement and organization questions
(Survey due by **Sunday, August 12, at 5p**)
- August 15** Finalize consensus on four policy outcomes areas from August 8
Results of survey on incentives, evaluation, measurement and organization questions
Breakout group discussions on policies related to incentives and measurement
Homework: review and comment on sample tool for project evaluation
- August 22** Finalize consensus on policies related to incentives and measurement
Breakout group discussions on policies related to evaluation and organization
Finalize consensus on policies related to evaluation and organization
Homework: review entire consensus document to date
- TBD** Worksession on “implementation feasibility”
- August 29** Finalize consensus on entire policy document
Finalize consensus on sample tool for project evaluation
Homework: draft individual Task Member reports (if desired)
- August 30** Final policy document released to Task Force members by electronic mail by 11:00a
- August 31** Individual Task Member reports due by 1:00p
Consultants deliver final policy document with Task Member reports to City by end of business

DISCUSSION ATTACHMENT

Statement of Purpose: **[FOR FINAL REVIEW]**

The purpose of the Kansas City's Economic Development and Incentive Policy is to:

- ✓ Define economic development in Kansas City;
- ✓ ~~Direct~~ Establish a framework for actions needed to make Kansas City more livable for all residents;
- ✓ Generate lasting private investment in Kansas City, benefiting all residents; and
- ✓ Guide decision-making regarding how public investments are made in support of economic development

The City's Economic Development and Incentive Policy is a living document and is periodically evaluated to ensure that the policy direction reflects the City's desired outcomes.

Policy Outcomes: **[FOR FINAL REVIEW]**

For Kansas City, economic development is defined as:

_____Economic development is the process whereby a community creates the conditions which foster economic growth, the outcome of which is an improvement in the quality of life. The outcomes of economic development are the return for the City's investment in this process. Economic development which only benefits one segment of the community, despite an investment by all, is not sustainable. Therefore, sustainable economic development must encompass a process which produces outcomes for all concerned. Desired outcomes include: an increase in human capital development, such as education, job skills, and childcare; an increase in financial capital development, such as job growth, small business development and access to credit; and the betterment of community and environment, such as through blight reduction, crime reduction and increased recreational opportunities. [new][to be defined]

Quality of life and economic development are interdependent community priorities. Achieving one cannot be at the expense of the other. A strong, vibrant community attracts economic investment. Outcome-driven economic investment results in long-range financial returns, as well as community benefits that improve quality of life. To improve the quality of life for all residents and secure Kansas City's future as a vital, livable community, certain outcomes must be achieved as a result of economic development investments.

► Create Quality Jobs

Kansas City's Economic Development and Incentive Policy assists the City in generating and maintaining quality jobs. Quality jobs are regular, full-time jobs that pay a higher than ~~the~~ average wage for a comparable position in the Metro area, include

health insurance, with at least 50% of premiums paid by the employer, provide opportunities for advancement, and provide a [comprehensive](#) benefits package including opportunities to save for retirement.

- ✓ **Business Assistance:** [support small businesses in the city](#); preserve, develop and sustain businesses ~~in the community, especially small businesses~~, and promote an entrepreneurial culture.
- ✓ **Focus on ~~Underserved~~ Economically Disadvantaged Areas:** target economic opportunities for ~~traditionally underserved~~ [economically disadvantaged](#) areas of the ~~community~~ city; [invest in neighborhoods identified by FOCUS as “stabilization areas.”](#)
- ✓ **High Quality Benefits:** focus on jobs that provide quality benefits, including affordable health insurance and retirement; subsidize the health insurance costs of employers who employ workers who live and work within certain empowerment zones or communities.
- ✓ **Local Jobs for City Residents:** tie public investments in private enterprise to the creation of [high-quality jobs for existing residents of the community city, especially jobs that will create opportunities for the city’s unemployed.](#)
- ✓ **Provide Connections:** connect skilled workers with employers needing skilled help using ~~community~~ city partnerships, such as faith-based organizations, ~~junior community~~ colleges and vocational/technical facilities.
- ✓ **Workforce Development:** invest in workforce development activities, such as job training and development of life skills; improve opportunities for high-tech educational opportunities and jobs.
- ✓ **Workforce Support:** provide support to employees, such as assistance with day care, transportation or housing needs; ensure displaced employees are reintegrated quickly into the ~~community~~ city’s workforce.

▶ Strengthen the Economy and Build the Wealth of the [Community Kansas City](#)

Kansas City’s Economic Development and Incentive Policy assists the City in strengthening the local economy and building the wealth of the ~~community~~ city by increasing the income of all residents [while reflecting a concern for the distribution of income, growing the profits of city businesses](#), reducing poverty and strengthening the tax bases of the ~~community~~ city’s local governments.

- ✓ **Business Development:** [grow small businesses into larger ones and create opportunities for new businesses to flourish; promote an entrepreneurial culture.](#)
- ✓ **Business Recruitment:** recruit and relocate existing businesses from outside of the ~~community~~ city.
- ✓ **Business Retention:** retain a diverse array of current businesses within the ~~community~~ city. Develop and maintain business relationships with existing businesses and gather better business intelligence (who is growing and who is shrinking);
- ✓ **Cluster Development Promotion:** recruit, retain and grow multiple and complementary businesses in the same industry type. Kansas City, for instance,

is seeking to develop a biosciences cluster following the construction of the Stowers Institute.

- ✓ **Improved Business Climate:** improve actual or perceived friendliness to ~~business~~business; ensure that local governments practices and procedures are as business-friendly as possible.~~s. Examples include streamlined permitting processes and business outreach programs.~~
- ✓ **Integration of Diversity:** ensure the integration of all races, ethnicities and cultures into the City's economy and social structure.
- ✓ **Marketing Efforts:** promote Kansas City ~~for economic development purposes~~ through electronic, print and other media to attract private investment, promote tourism and encourage enjoyment of the city's many benefits to residents of the Metro area.
- ✓ **Poverty:** reduce poverty within the ~~community~~city.
- ✓ **Sustainable Development:** ensure development meets both today's needs and those of future generations.
- ✓ **Target Development Areas:** identify ~~discrete~~specific areas within the city that will be the target of economic development activity.

▶ Sustain a High Quality of Life

Kansas City's Economic Development and Incentive Policy assists the City in enhancing Kansas City as a "most livable city" by supporting basic public services, promoting public safety (both real and perceived), protecting the environment and fostering a vital creative culture.

- ✓ **Blight Reduction:** reduce or eliminate blight.
- ✓ **Collaboration:** link neighborhood groups, religious institutions and businesses to work together in a collaborative way to ~~reduce the crime rate~~improve quality of life.
- ✓ **Crime Reduction:** pursue strategies that ~~eradicate~~reduce crime and enhance the perception of safety in every neighborhood.
- ✓ **Culture/Arts:** enhance existing or develop new arts and culture infrastructure, programs, activities and opportunities for residents and visitors to experience a diverse, high-quality mix of arts and culture (examples for outcomes to be measured include the numbers of resident artists, galleries, artist studios and live/work spaces, performance venues, arts organizations, and museums, as well as annual attendance at arts and cultural events and facilities).
- ✓ ~~**Culture/Arts:** enhance existing or develop new culture and arts infrastructure (artist live/work communities; symphonies and art galleries).~~**Environment:** focus on development/redevelopment projects that are "climate-friendly" meaning they help minimize or reduce greenhouse gas emissions; promote "green construction," such as requiring developments to design and construct according to the U.S. Green Building Council's LEED (Leadership in Energy & Environmental Design) Standards.
- ✓ **Infrastructure Plans:** preserve, enhance & construct physical infrastructure to support economic development.
- ✓ **Land Preservation/Restoration:** acquire, preserve land as a tool of economic development. Examples include preserving the City's green infrastructure and remediating "brownfields" sites.
- ✓ **Livability:** create livable neighborhoods that help in making physical and social connections between people.
- ✓ **Maintain Unique Assets:** preserve and enhance the natural and man-made assets unique to ~~that~~the community~~city.~~ ~~Examples include preservation of rivers and lakefronts.~~
- ✓ **Neighborhoods/Community Development:** preserve and enhance neighborhoods and small communities within the city. Examples include micro development business opportunities and the preservation of historic neighborhoods. ~~Require development applications to include a statement of neighborhood impact.~~
- ✓ **Partnerships:** build long-term partnerships between law enforcement, community groups, developers and other key parties in troubled communities to reduce persistent crime, disorder and fear.
- ✓ **Physical Improvements:** target physical improvements and improve development design to prevent crime and improve the perception of public safety. ("CPTED").

- ✓ **Public Transit:** promote “transit-oriented design,” promoting the use of public transportation as a tool of economic development.
- ✓ **Quality of Life:** promote [communitycity](#) quality of life. Examples include park and open space development, walking/biking trails, and access to unique retail and dining within the [communitycity](#).
- ✓ **Youth Involvement:** develop programming and opportunities to engage the [communitycity](#)’s youth, including job opportunities and skills development, and to steer youth away from crime.
- ~~✓ **Sustainability:** make decisions and take actions that benefits promoting the “3 Es”—economic vitality, social equity, and environmental quality~~

▶ Promote Stewardship of the City’s Resources

Kansas City’s Economic Development and Incentive Policy provides a framework to ensure that public investment in economic development is measured, appropriate, effective and affordable.

- ✓ **Fiscal Impact on City:** control the fiscal impacts of the economic development plan or policy on the city government. ~~Examples include limits on incentives granted each year or specific strategies to enhance revenues to the city from economic development activity.~~
- ✓ **Impact on Neighborhoods:** require development applications to include a statement of neighborhood impact including both examples of the positives from the development (for example, the opening of a community grocery) and the negatives (for example, traffic congestion and light pollution).
- ✓ **Measurement:** monitor, measure and report on each development’s progress in delivering on its economic, social and environmental promises.
- ✓ **Social Impact on City:** ensure that private development benefiting from public investment produces benefits broader than just financial.
- ✓ **Sustainability:** make decisions and take actions promoting the “3 Es”—economic vitality, social equity, and environmental quality.
- ~~✓ **Infrastructure Plans:** preserve, enhance & construct physical infrastructure to support economic development.~~

▶ Maintain and Develop Affordable, Quality Housing Opportunities

Kansas City’s Economic Development and Incentive Policy assists the City in ensuring that every Kansas Citian—in every corner of the [communitycity](#)—has access to quality, affordable housing. The City promotes a diverse housing supply through implementation of its own housing policy, and partners with state and local agencies, organizations, non-profits and community groups to ensure the success of its housing initiatives.

- ✓ **Compete for Development:** compete with neighboring communities for newer housing developments.

- ✓ **Construct Quality, Affordable Housing:** use incentives and public/private partnerships to promote the construction of quality, affordable housing, especially in economically-challenged areas.
- ✓ **Encourage Mixed-Income Development:** de-concentrate areas of poverty and integrate market rate, affordable and public housing units in the same neighborhood (i.e. mixed income housing development).
- ✓ **Identify Market Impediments to Housing Development:** analyze impediments to quality, affordable and market-rate housing and use public investment [to](#) correct problem conditions.
- ✓ **Protect Existing Housing Stock:** Re-use and conserve existing buildings so that prevailing character of the neighborhood is maintained; ensure renters have access to rehabilitation and improvement funds, as well as owner-occupants.
- ✓ **Replace Housing Stock:** require the replacement of housing units that are viable and demolished as a result of development projects receiving incentives.
- ✓ **Target Development Areas:** identify [discrete specific](#) areas within the city that will be the target of economic development activity.
- ✓ **Uniform Application of Housing Standards:** ensure that in-fill housing complies with the same quality standards imposed on new construction.

▶ Promote Comprehensive Opportunities for Education, Skills Development and Lifelong Learning

Kansas City's Economic Development and Incentive Policy recognizes that a quality education for every Kansas Citian forms the foundation for all other economic development efforts. Quality academic, vocational, and technical education provides the existing and future workforce with the skills necessary to allow Kansas City to [build its own knowledge asset base and to](#) compete for private investment.

- ✓ **Early Childhood Education:** ensure availability and access to early childhood education for all families and involving all segments of the [community city](#) in sponsoring youth education and recreation programs.
- ✓ **Lifelong Learning:** ensure that residents are afforded the opportunity to learn throughout their lives and in every phase of what they do.
- ~~✓ **Primary and Secondary Education:** Support kindergarten through high school education by demanding high quality education and supporting positive parent involvement.~~
- ✓ **Post-Secondary Education:** Provide opportunities for after high school and adult learning through a variety of alternatives, including post-secondary education, continuing education and training, workforce development and on-the-job-training, and "recreational" or vocational learning.
- ✓ [Primary and Secondary Education: Support kindergarten through high school education by demanding high quality education and supporting positive family involvement.](#)
- ✓ **Quality and Perception:** improve both the quality of K-12 public education and the perception of public school quality in the city.

POLICY PAPER: SHOULD THE CITY TARGET ITS INVESTMENTS IN SOME WAY?

A number of communities identified in the *Interim Best Practices Report* limit their use of particular types of investment to specific areas of the community, such as to a pre-defined TIF district. Targeting investment is one way to ensure that particular areas of the City benefit from intensive economic development activity. ***Reference numbers in this paper refer to the bibliography in the Interim Best Practices Report.***

The City should target its public investments in economic development.

Targeting can take many forms: geographic targets, focusing investments on certain physical locations in the city; socioeconomic targeting, focusing investments on economically disadvantaged communities; and political targets, providing for a distribution of available investments across political boundaries within the city (e.g., council districts). Targeting allows the City to bring a variety of resources to bear on an area in an attempt to reshape the market forces that have previously hindered private investment. Proponents of targeting might say that a community cannot build a house by giving every citizen a brick and letting the bricks be laid wherever the citizens choose.

- [Industry clusters are] more likely to produce positive economic benefits than locations of individual businesses. (Resource 430)
- Leveraging existing but underutilized public infrastructure [is an effective strategy]. The approach leads to increased employment, accelerated population growth and growth in tax revenues without the costs burdens of capital investment. (Resource 436)
- Some studies find that incentives can, in fact, produce economic benefits if the incentives target job creation for unemployed, local residents and those that influence the creation of high-wage jobs. (Resources 402, 406, 427)
- Studies indicate that incentive programs, such as tax increment finance, can have positive impacts on economically distressed areas. Incentives can, in part, help communities overcome competitive disadvantages (aging infrastructure, etc.) versus other more developed parts of the community. (Resources 411, 419, 420, 428, 430)

Targeting public investments is inefficient and impractical. The market should decide where economic development will occur.

By developing targets for the City's investment in economic development, the City is making the statement that it understands the market better than private participants (or even the market itself). Economic development is organic and opportunities arise where market forces dictate.

- 'Discussion of the inner city always starts out with despair over all the disadvantages and very rapidly jumps to the question of subsidies. That is absolutely a dead end...Unless we

can build a business that has a good reason for being in the inner city, they are simply going to leave when the subsidy ends.' (Resource 464)

- [I]ncentives just do not bring enough leverage to overcome other barriers to location: crime; poor workforce; lack of infrastructure; low quality of life; labor costs; unfavorable tax structure. (Resources 406, 429, 430)
- If enterprise zones are successful they should attract firms that draw from localized labor markets, employing the inner-city residents who would most benefit from increased earnings...[However,] the vast majority of workers in enterprise zones did not live in an enterprise zone; moreover, the vast majority of those who lived in enterprise zones did not work in them. (Resource 429)

Please use the Group Work Reporting Format to synthesize the findings and conclusions of your group work.

POLICY PAPER: ARE THERE LIMITS TO PUBLIC INVESTMENTS? SHOULD THE CITY LIMIT OR CAP THE AMOUNT OF INVESTMENT IT MAKES?

One of the key decisions when deciding to make an investment in a home, a car, a stock or a bond is the concept of *opportunity cost*. That is, if I invest in a home, I may not be able to invest in a boat, a community college course, or a new computer. Money, for most of us, is finite. But do the same rules apply to public investment in economic development?

Further, whether or not one believes public investments in economic development are finite, one can make the argument that the City should limit or cap the amount of investments it makes in economic development in a particular way: dollars per year; number of projects undertaken; level of risk assumed. A number of non-local public investment programs have finite limits. The State of Missouri's State TIF program is limited to funds appropriated by the General Assembly up to a statutory maximum of \$32 million per year. The Federal Low-Income Housing Tax Credit program provides an allocation of \$1.85 in tax credits per capita to each state annually (with a minimum of \$2.1 million per state). ***Reference numbers in this paper refer to the bibliography in the Interim Best Practices Report.***

There are no practical limits to public investment in economic development. The pie gets larger.

Economic development can “grow the pie” of fiscal resources available to the City and other taxing jurisdictions. Even if the project in which the investment is made produces no short-term positive impact to the City's finances, development creates a multiplier effect, where other businesses benefit and additional taxes are generated.

- Openness to diversity—new cultures, multiple races and ethnicity—and the promotion of income equity are correlated with enhanced growth. (Resource 408)
- Spending on healthcare, education at all levels, and infrastructure are positively correlated with economic growth. (Resources 427, 430)
- Public investment in crime reduction can encourage growth by promoting attractiveness for inner-city business location. (Resource 407)
- Leveraging existing but underutilized public infrastructure. The approach leads to increased employment, accelerated population growth and growth in tax revenues without the costs burdens of capital investment. (Resource 436)
- Some studies find that incentives can, in fact, produce economic benefits if the incentives target job creation for unemployed, local residents and those that influence the creation of high-wage jobs. (Resources 402, 406, 427)
- Some studies find that reductions in business taxes (to some extent), can have modest, positive impacts on economic growth. (Resource 403)

- Studies indicate that incentive programs, such as tax increment finance, can have positive impacts on economically distressed areas. Incentives can, in part, help communities overcome competitive disadvantages (aging infrastructure, etc.) versus other more developed parts of the community. (Resources 411, 419, 420, 428, 430)
- Larger, upfront incentives have more impact than smaller impact over time. (Resource 402)

There are, indeed, limits to public investment in economic development. Even if the pie grows, there is a practical limit to just how large it can get.

Even with incentives that capture only portions of incremental new taxes from development (partial tax abatement and TIF, for instance), the City and other taxing jurisdictions may suffer fiscally from such investment. New development brings incremental costs of providing services to new businesses, new residents, and new non-residents attracted to the development. If all increment is abated or redirected, essentially every type of development in Kansas City produces negative fiscal impacts to the City. (See the *Sustainability* report.) Further, General Fund guarantees are limited by two factors: the contingent liability created to the General Fund (and potentially crowding-out basic public services if guarantees are called upon); and the City's bond ratings, which eventually will suffer—leading to higher costs of borrowing—if too much debt is assumed or too many projects fail.

- Financing incentives by cutting investment in education and infrastructure probably destroys jobs. (Resource 427)
- If public investment in economic development is financed through reductions in existing public services or by increased taxes on existing residents and businesses, already-disadvantaged households suffer even more. (Resource 411)
- New businesses and new jobs generally attract new residents who, in turn, may bring additional public services costs which must be included in the accounting. Economic benefits may be overstated by ignoring the “net new” issue in the analysis. (Resources 403, 406)
- If there are zero earnings from employment generated by incentives, it is very likely that the costs of the strategy will exceed the benefits. (Resource 436)
- Tax incentives limit local government revenue gains and other activities require direct outlays of local government funds. As a result, these local governments have to fund these costs in two ways: offering fewer public services or raising taxes on existing residents and businesses. (Resource 425)
- Studies put the cost of new job created through incentives to total \$2,000 to \$11,000 (in 1989 dollars). (Resources 405, 427) The cost varies dramatically depending upon the state and local tax structure of the communities being analyzed.
- The recruitment of new business may cause fiscal losses in other areas through “crowding out” or “cannibalization” of other businesses. (Resource 425)
- Studies have found the use of incentives to be deleterious to existing business interests in the community. Existing businesses are forced to compete with new, subsidized ones. (Resources 428, 430, 431) This “crowding-out” effect also impedes the ability of private sector lenders to participate materially in development finance activities.

- Incentives programs force a shift away from other subsidy programs, such as affordable housing. (Resources 421, 444) If existing government services decline in order to fund economic development initiatives, the local economy may deteriorate instead of improve. (Resource 403)

Public investments in economic development should not be subject to artificial caps or limits.

Economic development is about timing. And the time demands are asymmetrical. Developers generally control the timing of development activities and the City has to be able to react to developers' needs to keep worthy project moving forward. The use of artificial caps or limits may result in a situation where a high-quality development cannot proceed because the City has reached its cap for investment in that particular period. Each project deserves to be evaluated on its merit, regardless of the timing by which it comes to the City.

- An expanded and improved [Federal Income Housing Tax Credit] will increase the supply of affordable housing in distressed communities and the ability of housing developers to provide critical community services...a [tax] credit increase could result in the construction of 150,000-180,000 additional affordable apartments nationwide over the next five years. (<http://www.nhi.org/online/issues/114/newsandviews2.html>)

The City should explicitly limit its public investments in economic development.

In economics the concept of scarcity is defined as a situation where unlimited demands chase limited resources. Generally, scarcity tends to increase the value of the good, service or commodity that is limited. Thinking about public investment as a scarce resource increases the odds that high-quality projects are funded and requires decision-makers to be more careful in their analysis of investment proposals.

- Studies find that the best incentives programs...have constraints or caps on the total amount of incentives granted, which promotes competition and selectiveness in the selection of projects receiving incentives, and limits the potential negative impacts of incentives. (Resource 405)
- Some competition for tax credit allocations at the state level can be seen as a good thing; it promotes healthy examination of a project's economic feasibility and its relevance in light of a given state's needs. (<http://www.nhi.org/online/issues/114/newsandviews2.html>)

Please use the Group Work Reporting Format to synthesize the findings and conclusions of your group work.

POLICY PAPER: SHOULD THE CITY IMPOSE PENALTIES FOR UNDER-PERFORMANCE?

When one makes an investment, one expects a rate of return on that investment commensurate with the level of risk assumed. Modern Portfolio Theory includes a measurement of *alpha*, that is, the return on an investment over what could have been achieved through an alternative, risk-free investment. When cities invest in economic development, they make a decision to invest their funds in a speculative vehicle when, in fact, they simply could have invested those same funds in a riskless alternative (such as a US Treasury Note). For an individual investor, if an investment is failing to meet his/her desired rate of return, he/she may move the investment to another vehicle. Should the City have the same opportunity? *Reference numbers in this paper refer to the bibliography in the Interim Best Practices Report.*

The City should not levy penalties for underperformance.

An economic development investment is an important investment, but a long-term one. Even if a project receiving an investment is underperforming in the short-run, it may produce the desired results over the long-term. The ability of the City to assess penalties against underperforming projects, including “clawbacks” or other partial or complete withdrawals of promised investment, creates a chilling effect on economic development and makes projects less likely to achieve long-term success. The City should do the hard analysis upfront to make sure it is making the right investment, and then live with the results.

- Using a rigorous analysis of the prospective fiscal benefit derived from an economic development project or program can help a city reduce the uncertainty of its efforts by identifying the amount of public investment that can be made, while still ensuring (on a pro forma basis, anyway) a net benefit in the end. (Resource 432)
- Panelists noted that the clawback option is not exercised consistently across the regions in the United States. As a result, the City’s use of clawbacks could place it at a disadvantage to other communities with which it competes for private investment. (http://www.iedconline.org/EDAmerica/Fall2006/Clawbacks_2.html)

The City must make its development partners accountable for their results.

Investments in economic development projects generally consist of funds that would otherwise have been available for the general use of the City and other taxing entities. By definition, the City makes these investments using the resources of its citizens, taxpayers and ratepayers. It has an obligation to these individuals and businesses that its investments are wise and provide a reasonable return on investment.

- Clawbacks are a form of subsidy control, providing for a reduction, elimination or restructuring of incentives provided if the incentivized business fails to perform as required. This tool helps ensure that the public benefits from its investment in a business. There are three types of commonly used penalties for non-performance: (1) rescissions—the

- cancellation or reduction of incentive grants; (2) penalties—fines for failures to perform; and (3) recalibrations—adjusting incentive grants to reflect changing business conditions. (Resource 439)
- Clawbacks are becoming well-established and accepted tools of the trade. Surveys find that the majority of local governments use both incentives and clawbacks as tools of economic development. (Resources 405, 417, 432)
 - One approach to clawbacks is structuring incentives in such a way that clawbacks are an integral approach to the incentive grant. Structuring incentives as forgivable loans, where forgiveness is tied to specific performance, (Resource 403) and targeting incentives toward training and infrastructure (Resource 402) are two suggested approaches. Using incentives to fund training and infrastructure leaves the community with human and physical assets, even if the business receiving the incentive closes or moves.
 - Larger, upfront incentives have more impact than smaller incentives over time. (Resource 402)

Please use the Group Work Reporting Format to synthesize the findings and conclusions of your group work.

POLICY PAPER: SHOULD PUBLIC INVESTMENTS IN ECONOMIC DEVELOPMENT BE TIED TO POLICY OUTCOMES? IF SO, WHAT SHOULD THE PRIORITY OF THOSE OUTCOMES BE? SHOULD THE LEVEL OF PUBLIC INVESTMENT ADJUST COMMENSURATELY WITH THE EXTENT TO WHICH THE ECONOMIC DEVELOPMENT PROJECT MATCHES THE CITY'S PRIORITIZED OUTCOMES?

The Task Force has identified six high-level policy outcomes for economic development: (A) create quality jobs; (B) strengthen the economy and build the wealth of Kansas City; (C) sustain a high quality of life; (D) promote stewardship of the City's resources; (E) maintain and develop affordable, quality housing opportunities; and (F) promote comprehensive opportunities for education, skills development and lifelong learning. Should the City invest in economic development and hope that these outcomes are achieved, or should it make an explicit connection between public investments made in economic development projects and achievement of these outcomes?

For example, the Task Force has generally come to consensus on the idea that "quality" jobs are those that: (1) provide wages above the average for the similar positions in the Metro area; (2) include a comprehensive benefits package, including health insurance with meaningful employer cost-sharing and opportunities for retirement; (3) offer opportunities for advancement; and (4) are regular, full-time positions. Many share the belief that, at its most basic, economic development is about job creation. *Reference numbers in this paper refer to the bibliography in the Interim Best Practices Report.*

Public investments in economic development should be tied to the creation of quality jobs for local residents.

Economic development investments may be tied to other goals (development of public infrastructure, for instance) but if the creation of jobs is a specified return on the City's investment in a project, the City should focus its evaluation of success on the creation of quality jobs for local residents.

- "Creating new jobs" is the number one priority of local economic development programs around the country. (Resource 403) Job creation is a very important driver of economic growth: increasing a metropolitan area's employment by 10 percent generates growth in average, real earnings of local residents by two to seven percent. (Resources 402, 449) Employment growth also reduces local poverty. (Resource 403)
- In addition to the individual benefits accruing to the worker-beneficiaries of quality jobs programs, the broader community benefits as well. Better jobs encourage greater labor force participation (reducing under- and unemployment), reduce the odds that employees will require other public assistance, such as Medicaid and food stamps (Resources 403, 434) and increase earnings for local residents. (Resource 406)
- Job creation most impactful to the economic condition of the community is that which provides opportunities for unemployed or underemployed local residents. Employment of local residents creates "chain reactions" in the job market where already-working residents

advance and where unemployed or underemployed residents fill those vacation positions. (Resources 423, 436, 449) One important corollary to the job chains concept is that jobs resulting in in-migration of new employees to the community effectively breaks the chain and generates little economic value to the community. (Resources 405, 406, 423) Unfortunately, one study showed that over the long run 60-90 percent of new jobs go to in-migrants. (Resource 403, 417)

- The development community agrees that the use of quality jobs requirements does not adversely affect business climate. (Resource 434)

The City's decision to invest should be on the merits and potential return of the project; it should let the market decide what types of jobs are created.

The City selects a development partner for a variety of reasons: the quality of the development being proposed; the unique nature of the development; the reputation of the developer; the financial viability of the project. The creation of jobs is but one factor in the returns the City expects to receive from its investments in economic development, and should not be favored above others. If jobs are created, the City should rely upon private sector market forces to determine what types of jobs those are.

- More than 40 states, 41 cities and five county governments currently attached quality jobs requirements to at least one incentives program. The same author found only 23 governments using these programs (versus nearly 90) only four years prior to the study. (Resource 434) Despite this growth, very few of the cities with which Kansas City competes for private investment have "quality" jobs requirements tied to economic development investment. Imposing this requirement here creates a competitive disadvantage for Kansas City.
- Job creation efforts may not benefit those who need it the most. Studies show that, despite the best efforts of economic development structure and practice, poor populations, especially inner-city residents, fail to benefit significantly from job creation efforts. (Resources 407, 429) It is not clear that quality jobs programs provide enhanced benefits to the cities using them.

Question Tree

- 1) Should public investments in economic development be tied to the six policy outcomes identified by the Task Force? How should they be tied?
- 2) If so, what should the priority of those six policy outcomes be? (see the prioritization tool below)
- 3) Should the level of public investment adjust commensurately with the extent to which the economic development project matches the city's prioritized outcomes? For instance, should investment increase as more or higher priority outcomes are achieved? What practical guidance for implementation do you have?

Please use the Group Work Reporting Format to synthesize the findings and conclusions of your group work.

Prioritization Tool

The tool below provides a very quick way to prioritize a small group of competing interests using binomial comparisons of multiple pairs. Working either across the rows or down the columns, compare the outcomes at each intersection and circle the number representing the outcome of the two you believe to be the higher priority.

- (1) Create quality jobs
- (2) Strengthen the economy and build the wealth of Kansas City
- (3) Sustain a high quality of life;
- (4) Promote stewardship of the City’s resources;
- (5) Maintain and develop affordable, quality housing opportunities
- (6) Promote comprehensive opportunities for education, skills development and lifelong learning

1–2				
1–3	2–3			
1–4	2–4	3–4		
1–5	2–5	3–5	4–5	
1–6	2–6	3–6	4–6	5–6

Tabulate your results by counting the number of time each number is circled. The item with the largest number of circles is your highest priority. If two numbers were each circled the same number of times, use the grid to identify which wins the tiebreaker (for instance, if #2 and #4 each have the same number of circles, look on the grid for “2—4”; the number circled there wins the tie-breaker). Use the grid below to note your results.

Tabulation

Outcome	# Circles	Priority
1 (Jobs)		
2 (Economy)		
3 (Quality of Life)		
4 (Stewardship)		
5 (Housing)		
6 (Education)		

GROUP WORK REPORTING FORMAT

So that each group reports relatively consistent information to the rest of the Task Force, please use this form to guide the synthesis of your group's work. **Group spokesperson: please provide this completed form to a facilitator after your group reports its work.** Thank you!

Policy Paper Topic:

What was the consensus finding of your group?

What were the two or three most compelling arguments *supporting* your consensus finding?

What were the two or three most compelling arguments *opposing* your consensus finding?

What are your recommendations for how the Task Force should incorporate your group's findings into its policy recommendation to the Mayor and City Council?

Other thoughts, ideas or considerations?